

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)	
CORPORATION FOR CLARIFICATION OR	)	
ALTERNATIVELY FOR MODIFICATION OF	)	CASE NO. 2012-00110
ITS APPROVED HEDGING PROGRAM	)	

O R D E R

On March 22, 2012, Atmos Energy Corporation (“Atmos”) filed an Application requesting either clarification or approval of its ability to make a modification to its natural gas hedging program. On April 4, 2012, Atmos filed a Motion for Expedited Consideration, explaining that it commences its hedging activities in early April each year and that it would be beneficial to its ratepayers to commence using options as soon as possible. On April 20, 2012, Atmos supplemented the record to support the reasonableness of its proposed modification.

In Case No. 2007-00551,<sup>1</sup> the Commission approved the extension of Atmos’s hedging program until March 31, 2013, specifically referring to the continued use of futures contracts and no-cost collars. Pursuant to the Commission’s Order in that case, Atmos must request further extension of its hedging program no later than September 30, 2012. Atmos is requesting that the Commission clarify that the Order of April 8, 2008 in Case No. 2007-00551 permits the use options as part of its hedging activities, or, in the alternative, that it modify that Order to specifically authorize their use.

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<sup>1</sup> Case No. 2007-00551, Application of Atmos Energy Corporation for Modification of its Approved Hedging Program (Ky. PSC April 8, 2008).

According to Atmos's Application, although it has not used options as a hedging tool in the past, options have recently become an attractive low cost alternative due to changing market conditions. Atmos states that it would be advantageous to it and to its customers if it had the flexibility to use options as one of its available hedging tools, due to their ability to track the downward pricing trend of natural gas.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The Order in Case No. 2007-00551 did not specifically provide for the use of options as an approved hedging tool.

2. Current market conditions with respect to the relatively low price of natural gas could cause the use of alternative hedging tools to be in the public interest. Atmos's request to use options as an approved hedging tool in the interim until its next extension request therefore appears reasonable.

3. Atmos's request to include options in its currently approved hedging program should be approved on an interim basis pending its next request for extension, which is to be filed no later than September 30, 2012. That request should include full support of the reasonableness of options as a permanent hedging alternative, if Atmos desires to continue to use options as of the time of that Application.

IT IS THEREFORE ORDERED that:

1. Atmos's request to use options as an approved hedging tool on an interim basis pending its next request for extension of its hedging program is approved.

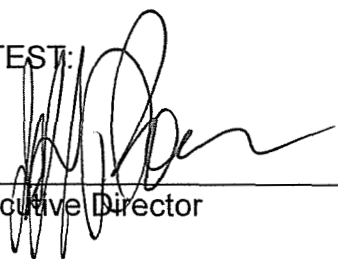
2. In order to continue using options as part of its hedging program beyond the current March 31, 2013 program expiration date, Atmos shall fully support the use

of options as well as any other program modification in its next scheduled application for extension of the program.

By the Commission

ENTERED <sup>PA</sup>  
APR 24 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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